

## Legislative Audit Division

State of Montana



### Report to the Legislature

March 2001

## Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2000

# Office of the Commissioner of Political Practices

This financial-compliance audit report contains the results of our audit of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 2000. We issued an unqualified opinion on the financial schedules contained in the audit report. This means the reader may rely on the presented financial information. The audit report contains no recommendations directed to the Office of the Commissioner of Political Practices. The prior audit contained no recommendations.

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**FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel  
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
James Gillett, Financial-Compliance Audit

March 2001

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 2000. The objectives of the audit were to:

1. Determine if the office complied with applicable laws and regulations.
2. Make recommendations for improvement in the management and internal controls of the office.
3. Determine if the office's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 2000.

This audit resulted in an unqualified opinion (page A-1) on the office's financial schedules (page A-3) and no recommendations. Our prior audit report also contained no recommendations.

The office was created by the 1975 legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the senate. A four-member selection committee, comprised of the speaker of the house, the president of the senate, and the minority floor leaders of both houses of the legislature, submits a list of two to five names of individuals to the governor for consideration. The commissioner can only serve one term.

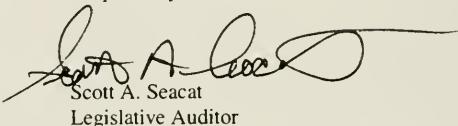
The primary duties of the commissioner include:

1. Facilitating disclosure of financial contributions to and expenditures of candidates and political committees.
2. Facilitating registration of lobbyists and monitor lobbying expenditures by principals.

3. Monitoring candidates and political committees, lobbyists, and principals for compliance with Montana campaign finance and practices laws and Montana lobbying laws.
4. Monitoring and enforce Montana's Code of Ethics for public officers, public employees, and legislators.
5. Investigating legitimate complaints of alleged violations of campaign finance and practices laws, lobbying laws, and ethics laws.

Office officials reviewed and agreed with the contents of this report and chose not to respond in writing. We thank the commissioner and her staff for their assistance and cooperation.

Respectfully submitted,



Scott A. Seacat  
Legislative Auditor

## Appointed and Administrative Officials

**Office of the Commissioner  
of Political Practices**

Linda L. Vaughey, Commissioner

Term expires  
December 31, 2004

Dulcy L. Hubbert, Administrative Officer

For additional information contact:

Linda L. Vaughey, Commissioner of Political Practices  
PO Box 202401  
Helena MT 59620-2401  
Phone: (406) 444-2942

e-mail: *lvaughey@state.mt.us*

Members of the audit staff involved in this audit were Laurie Barrett and Wayne Guazzo.



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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
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James Gillett, Financial-Compliance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balance, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Office of the Commissioner of Political Practices (office) for each of the two fiscal years ended June 30, 1999 and 2000. The information contained in these financial schedules is the responsibility of the office. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balance of the office for the two fiscal years ended June 30, 1999 and 2000, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink that reads "James Gillett".

James Gillett, CPA  
Deputy Legislative Auditor

February 22, 2001



COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund
FUND BALANCE: July 1, 1999	<u>\$ (13,942)</u>
 ADDITIONS	
Budgeted Revenues & Transfers-In	4,825
Nonbudgeted Revenues & Transfers-In	32
Direct Entries to Fund Balance	<u>303,748</u>
Total Additions	<u>308,605</u>
 REDUCTIONS	
Budgeted Expenditures & Transfers-Out	<u>317,129</u>
Total Reductions	<u>317,129</u>
FUND BALANCE: June 30, 2000	<u>\$ (22,466)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>General Fund</u>
FUND BALANCE: July 1, 1998	\$ <u>(11,858)</u>
<b>ADDITIONS</b>	
Budgeted Revenues & Transfers-In	64,647
Nonbudgeted Revenues & Transfers-In	98
Cash Transfers In (Out)	<u>265,856</u>
Total Additions	<u>330,601</u>
<b>REDUCTIONS</b>	
Budgeted Expenditures & Transfers-Out	332,685
Total Reductions	<u>332,685</u>
FUND BALANCE: June 30, 1999	\$ <u>(13,942)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General Fund</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>	
Licenses and Permits	\$ 1,000
Taxes	(3)
Charges for Services	3,375
Fines and Forfeits	450
Miscellaneous	35
Total Revenues & Transfers-In	<u>4,857</u>
Less: Nonbudgeted Revenues & Transfers-In	32
Actual Budgeted Revenues & Transfers-In	<u>4,825</u>
Estimated Revenues & Transfers-In	2,950
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u><u>\$ 1,875</u></u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>	
Licenses and Permits	\$ 800
Charges for Services	875
Fines and Forfeits	200
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u><u>\$ 1,875</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>General Fund</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>	
Licenses and Permits	\$ 41,950
Charges for Services	1,697
Fines and Forfeits	21,000
Miscellaneous	98
Total Revenues & Transfers-In	<u>64,745</u>
Less: Nonbudgeted Revenues & Transfers-In	98
Actual Budgeted Revenues & Transfers-In	<u>64,647</u>
Estimated Revenues & Transfers-In	32,750
Budgeted Revenues & Transfers-In Over (under) Estimated	<u>\$ 31,897</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>	
Licenses and Permits	\$ 11,950
Charges for Services	(803)
Fines and Forfeits	20,750
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 31,897</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Administration</u>
<b>PROGRAM (SUB-CLASS) EXPENDITURES &amp; TRANSFERS-OUT</b>	
<b>Personal Services</b>	
Salaries	\$ 119,031
Employee Benefits	<u>30,462</u>
Total	<u>149,493</u>
<b>Operating Expenses</b>	
Other Services	124,596
Supplies & Materials	12,407
Communications	15,880
Travel	2,285
Rent	7,404
Utilities	328
Repair & Maintenance	378
Other Expenses	<u>4,358</u>
Total	<u>167,636</u>
<b>Total Expenditures &amp; Transfers-Out</b>	<u>\$ 317,129</u>

**EXPENDITURES & TRANSFERS-OUT BY FUND**

General Fund	\$ 317,129
Total Expenditures & Transfers-Out	<u>317,129</u>
 Budget Authority	
Unspent Budget Authority	<u>427,291</u>
	<u>\$ 110,162</u>

**UNSPENT BUDGET AUTHORITY BY FUND**

General Fund	\$ 110,162
Unspent Budget Authority	<u>110,162</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

		<u>Administration</u>
<b>PROGRAM EXPENDITURES &amp; TRANSFERS-OUT</b>		
<b>Personal Services</b>		
Salaries	\$	129,396
Employee Benefits		32,307
Total		<u>161,703</u>
<b>Operating Expenses</b>		
Other Services		114,925
Supplies & Materials		33,308
Communications		7,746
Travel		459
Rent		7,140
Utilities		711
Repair & Maintenance		4,566
Other Expenses		2,084
Total		<u>170,939</u>
<b>Equipment &amp; Intangible Assets</b>		
Equipment		43
Total		<u>43</u>
<b>Total Expenditures &amp; Transfers-Out</b>	\$	<u>332,685</u>
<b>EXPENDITURES &amp; TRANSFERS-OUT BY FUND</b>		
General Fund	\$	332,685
Total Expenditures & Transfers-Out		<u>332,685</u>
Budget Authority		411,050
Unspent Budget Authority	\$	<u>78,365</u>
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>		
General Fund	\$	78,365
Unspent Budget Authority	\$	<u>78,365</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

# Notes to the Financial Schedules

## For the Two Fiscal Years Ended June 30, 2000

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### 1. Summary of Significant Accounting Policies

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#### Basis of Accounting

The Office of the Commissioner of Political Practices uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Fund. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual and sick leave when used or paid.

Expenditures and expenses may include entire budgeted service contracts even though the office received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

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#### Basis of Presentation

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The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

Accounts are organized in funds according to state law. The office uses the following fund:

#### Governmental Fund

**General Fund** - to account for all financial resources except those required to be accounted for in another fund.

## **Notes to the Financial Schedules**

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### **2. General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Each agency records cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets the office has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 1999 and June 30, 2000.

### **3. Direct Entries to Fund Balance**

Direct entries to fund balance in the General Fund in fiscal year 1999-2000 include entries generated by the state's accounting system to reflect the flow of resources within individual funds shared by separate agencies.

Similar transactions are recorded in the General Fund as Cash Transfers in fiscal year 1998-1999.



